

Return on Investment (ROI) Program Funding Application

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FINAL AUDIT REQUIRED: The Enterprise Quality Assurance Office of the Information Technology Department is required to perform post implementation outcome audits for all Pooled Technology funded projects and may perform audits on other projects.

This is a Pooled Technology Fund Request. Amount of funding requested: \$750,000.00

Section I: Proposal

Date: 8/16/2002
Agency Name: DHS - Administration
Project Name: HIPAA Security Requirements Compliance
Agency Manager: Delno Wadle
Agency Manager Phone Number / E-Mail: (515)281-5609 / dwadle@dhs.state.ia.us
Executive Sponsor (Agency Director or Designee): Steve Mosen

D. Statutory or Other Requirements

Is this project or expenditure necessary for compliance with a Federal law, rule, or order?

☒ YES (If "Yes", cite the specific Federal law, rule or order, with a short explanation of how this project is impacted by it.)

Explanation:

Health Insurance Portability and Accountability Act of 1996 (HIPAA) {public law 104-191} 104 Congress.

Is this project or expenditure required by state law, rule or order?

☐ YES (If "YES", cite the specific state law, rule or order, with a short explanation of how this project is impacted by it.)

Explanation:

Does this project or expenditure meet a health, safety or security requirement?

☒ YES (If "YES", explain.)

Explanation:

Health -- The Federal HIPAA law requires compliance to meet national standards involving the electronic transmission of health data. Through standardized electronic formats, communications are greatly simplified between state agencies, fiscal agents, federal government and providers.

Safety -- Compliance insures that state agencies and private sector partners have access only to the health related information minimally to conduct core business functions while protecting the privacy and security of the clients we serve.

Security -- Compliance requires safeguarding medical data of the clients we serve.

Is this project or expenditure necessary for compliance with an enterprise technology standard?

☐ YES (If "YES", cite the specific standard.)

Explanation:

[This section to be scored by application evaluator.]

Evaluation (20 Points Maximum)

If the answer to these criteria is "no," the point value is zero (0). Depending upon how directly a qualifying project or expenditure may relate to a particular requirement (federal mandate, state mandate, health-safety-security issue, or compliance with an enterprise technology standard), or satisfies more than one requirement (e.g. it is mandated by state and federal law and fulfills a health and safety mandate), 1-20 points awarded.

E. Impact on Iowa's Citizens

a. Project Participants

List the project participants (i.e. single agency, multiple agencies, State government enterprise, citizens, associations, or businesses, other levels of government, etc.) and provide commentary concerning the nature of participant involvement. Be sure to specify who and how many **direct** users the system will impact. Also specify whether the system will be of use to other interested parties: who they may be, how many people are estimated, and how they will use the system.

Response:

The following resources will have input into the development of all projects:

- Department of Human Services policy staff : Provides policy expertise in the gap analysis phase and assistance with components of HIPAA implementation.
- Department of Human Services Data Management staff: Implement modifications to internal enrollment systems and Title 19 files as required by HIPAA.
- Department of Human Services line staff: Provide input on privacy and security related issues.
- Department of Human Service management staff: Acts as HIPAA Steering Committee to ensure successful implementation.
- Clients: Provide input in response to privacy and security components of HIPAA.
- Providers/Provider Associations: Interface with the DHS staff to ensure smooth transition of business processes between entities.
- Medicaid Fiscal Agent: Conduct requirements analyses, assist with communication to external entities, and modify Medicaid Management Information System.

All non-Medicaid systems as RTS, POS, FACS, State Payment system, Hawk-I and others which may surface through a gap assessment.

- Information Technology Department staff: Assist with the security component of HIPAA.
- Attorney General: Provide interpretation of the HIPAA regulations and guidance on implementation strategies.

b. Service Improvements

Summarize the extent to which the project or expenditure improves service to Iowa citizens or within State government. Included would be such items as improving the quality of life, reducing the government hassle factor, providing enhanced services, improving work processes, etc.

Response:

This project supports state and federal regulations that require technology enhancements for ongoing operations of our programs. Standardized coding of health care transactions will simplify communication with all providers through the utilization of one standard format. Providers, local, state and federal governments, insurance companies and clearing houses can communicate more effectively, thereby business processes will improve significantly. Implementation of these HIPAA standards can result in customer satisfaction and reduce federal sanctions that pertain to data quality, security and integrity.

c. Citizen Impact

Summarize how the project leads to a more informed citizenry, facilitates accountability, and encourages participatory democracy. If this is an extension of another project, what has been the adopted rate of Iowa's citizens or government employees with the preceding project?

Response:

Health Care Providers: The impact of HIPAA requires a single uniform standard on conducting health care transactions so they are not required to create a new proprietary means of transacting electronic business each time they take on a new business partner. These standards will reduce costs, complexity, and confusion.

Clients: Compliance with HIPAA mandates that access to health information is limited to minimally necessary disclosures as required by state law or federal regulation. Protection of the health information is mandated and forbids the information from being sold, traded or otherwise used without the permission and prior consent of the client. Both the privacy and security segments of the HIPAA law ensures every citizen that his or her personal health information (PHI) is not misused.

Insurance Companies: The impact of HIPAA creates a single uniform standard on conducting electronic health care transactions so they are not required to create a new proprietary means of transacting electronic business each time they take on a new business partner. The standard will reduce costs, complexity.

d. Public Health and/or Safety

Explain requirements or impact on the health and safety of the public.

Response:

[This section to be scored by application evaluator.]

Evaluation (10 Points Maximum)

- Minimally improves Customer Service (0-3 points).
- Moderately improves Customer Service (4-6 points).
- Significantly improves Customer Service (7-10 points).

[This section to be scored by application evaluator.]

Evaluation (15 Points Maximum)

- Minimally directly impacts Iowa citizens (0-5 points).
- Moderately directly impacts Iowa citizens (6-10 points).
- Significantly directly impacts Iowa citizens (11-15 points).

F. Process Reengineering

Provide a pre-project or pre-expenditure (before implementation) description of the impacted system or process. Be sure to include the procedures used to administer the impacted system or process and how citizens interact with the current system.

Response:

The intent of HIPAA is to improve the efficiency and effectiveness of the healthcare system by encouraging the development of health information systems that utilize Electronic Data Interchange (EDI) for the administrative and financial transactions specified. HIPAA requires the use of national standards when performing these business transactions between organizations electronically. Additionally, compliance with privacy and security components of the law is required as a safeguard for consumer privacy of health data.

The organizations affected are all state agencies who process Medicaid data, and providers (institutions and private organizations), who provide client data and billing. HIPAA requires that all parties using these transactions for healthcare follow the implementation guides established by national committees. The Department of Health and Human Services has released the final federal regulations requiring states to comply with HIPAA. The Iowa Department of Human Services completed an initial assessment of the HIPAA requirements in SFY 2001. This assessment indicated that HIPAA will affect all systems in the Department of Human Services that interface with Medicaid eligibility and payments, and the Fiscal Agent. The remediation may involve FACS/RTS, POS/State Payment Program, HAWK-I, computer systems, and others as determined by a gap analysis yet to be performed. Other systems possibly affected are Admission Core database, Mental Health Record (MHR), IABC system, Admission and Discharge Systems, Business Office/Budget Operations, County Billing Systems, Inventory/order entry system, Scheduling system, Client Benefits, Income Maintenance Reports. While these may or may not be affected they need to be examined to determine impact if any.

Provide a post-project or post-expenditure (after implementation) description of the impacted system or process. Be sure to include the procedures used to administer the impacted system or process and how citizens will interact with the proposed system. In particular, note if the project or expenditure makes use of information technology in reengineering traditional government processes.

Response:

This request represents SFY 2005 funding to complete federal requirements for HIPAA. Initial planning

started in SFY 2003; the scheduled completion date is the end of SFY 2005.

This funding request supports:

--Project planning and project management required to implement federal requirements.

--Application remediation and system programming.

--Increased tracking for claim payment and release of identifiable health care information

--Gains from improvements in technology

This funding request will produce the following results:

--Complete and accurate federal reporting

--Implementation of HIPAA requirements. Failure to comply with HIPAA requirements can result in up to \$25,000 per person, annually, with the addition of civil penalties. See Opportunity Value/Risk or Loss Avoidance Benefit for full penalty clauses.

The regulations concerning administrative simplification (transactions) and privacy have been completed. Security guidelines have been finalized as of April 1, 2003. HIPAA is a massive national undertaking that affects all health care payment sources, including but not limited to Medicaid. National standardization includes procedure, provider, and individual identifier codes; claim formats are required to convert to standardization as well. In order to comply we will need to change the codes we use to pay Medicaid claims. The new codes will require an extra space for information because the code is longer for provider numbers. This will also cause need for more electronic storage. New codes will have to be cross-referenced to old codes and a method of storing this cross-reference will have to be maintained. Security requirements are also very stringent, and the Department will have to become compliant if our current procedures do not meet the new standards. There are penalties specifically related to failure to comply with security standards. Compliance with HIPAA will require significant re-programming of both DHS and fiscal agent systems.

[This section to be scored by application evaluator.]

Evaluation (10 Points Maximum)

- Minimal use of information technology to reengineer government processes (0-3 points).
- Moderate use of information technology to reengineer government processes (4-6 points).
- Significant use of information technology to reengineer government processes (7-10).

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[This section to be scored by application evaluator.]

Evaluation (5 Points Maximum)

- The timeline contains several problem areas (0-2 points)
- The timeline seems reasonable with few problem areas (3-4 points)
- The timeline seems reasonable with no problem areas (5)

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H. Funding Requirements

On a fiscal year basis, enter the estimated cost by funding source: Be sure to include developmental costs and ongoing costs, such as those for hosting the site, maintenance, upgrades, ...

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	FY04		FY05		FY06	
	Cost(\$)	% Total Cost	Cost (\$)	% Total Cost	Cost (\$)	% Total Cost
State General Fund	\$0	0%	\$0	0%	\$0	0%
Pooled Tech. Fund /IowAccess Fund	\$750,000	50%	\$0	0%	\$0	0%
Federal Funds	\$750,000	50%	\$0	0%	\$0	0%
Local Gov. Funds	\$0	0%	\$0	0%	\$0	0%
Grant or Private Funds	\$0	0%	\$0	0%	\$0	0%
Other Funds (Specify)	\$0	0%	\$0	0%	\$0	0%
Total Project Cost	\$1,500,000	100%	\$0	100%	\$0	100%
Non-Pooled Tech. Total	\$750,000	50%	\$0	0%	\$0	0%

[This section to be scored by application evaluator.]

Evaluation (10 Points Maximum)

- The funding request contains questionable items (0-3 points)
- The funding request seems reasonable with few questionable items (4-6 points)
- The funding request seems reasonable with no problem areas (7-10)

I. Scope

Is this project the first part of a future, larger project?

☒ YES (If "YES", explain.) ☐ NO, it is a stand-alone project.

Explanation:

HIPAA legislative requirements, while final, are still evolving.

Is this project a continuation of a previously begun project?

☒ YES (If "YES", explain.)

Explanation:

Software Engineering Services performed an assessment during the fall 2000 to spring 2001 period in which they identified multiple areas in DHS which are covered under HIPAA. DHS IT Project Office formed a HIPAA Project Office in October 2001 while policy people have been working on issues for 2 1/2 years approximately.

Transaction testing is underway for implementation in October, 2003. The Privacy Office was established in April, 2003 and implementation requirements continue. Security is just being launched starting in July, 2003

J. Source of Funds

On a fiscal year basis, how much of the total project cost (\$ amount and %) would be absorbed by your agency from non-Pooled Technology and/or IOWAccess funds? If desired, provide additional comment / response below.

Response:

For fiscal 05 \$750,000 (50%) would be absorbed by IOWA DHS from Federal Funds. \$750,000 (50%) would be from Pooled Technology funds.

[This section to be scored by application evaluator.]

Evaluation (5 Points Maximum)

- 0% (0 points)
- 1%-12% (1 point)
- 13%-25% (2 points)
- 25%-38% (3 points)
- 39%-50% (4 points)
- Over 50% (5 points)

Section II: Financial Analysis

A. Project Budget Table

It is necessary to estimate and assign a useful life figure to each cost identified in the project budget. Useful life is the amount of time that project related equipment, products, or services are utilized before they are updated or replaced. In general, the useful life of hardware is three (3) years and the useful life of software is four (4) years. Depending upon the nature of the expense, the useful life for other project costs will vary between one (1) and four (4) years. On an exception basis, the useful life of individual project elements or the project as a whole may exceed four (4) years. Additionally, the ROI calculation must include all new annual ongoing costs that are project related.

The Total Annual Prorated Cost (State Share) will be calculated based on the following equation:

$$\left[\left(\frac{\text{Budget Amount}}{\text{Useful Life}} \right) \times \% \text{ State Share} \right] + (\text{Annual Ongoing Cost} \times \% \text{ State Share}) = \text{Annual Prorated Cost}$$

Budget Line Items	Budget Amount (1st Year Cost)	Useful Life (Years)	% State Share	Annual Ongoing Cost (After 1st Year)	% State Share	Annual Prorated Cost
Agency Staff	\$300,000	1	50.00%	\$0	0.00%	\$150,000
Software	\$100,000	4	50.00%	\$0	0.00%	\$12,500
Hardware	\$50,000	3	50.00%	\$0	0.00%	\$8,333
Training	\$100,000	4	50.00%	\$0	0.00%	\$12,500
Facilities	\$0	1	0.00%	\$0	0.00%	\$0

Professional Services	\$949,500	4	50.00%	\$0	0.00%	\$118,688
ITD Services	\$0	4	50.00%	\$0	0.00%	\$0
Supplies, Maint, etc.	\$500	1	50.00%	\$0	0.00%	\$250
Other	\$0	1	0.00%	\$0	0.00%	\$0
Totals	\$1,500,000	---	---	\$0	---	\$302,271

C. Tangible and/or Intangible Benefits

Respond to the following and transfer data to the ROI Financial Worksheet as necessary:

1. Annual Pre-Project Cost - This section should be completed only if state government operations costs are expected to be reduced as a result of project implementation. **Quantify actual state government direct and indirect costs** (personnel, support, equipment, etc.) associated with the activity, system or process prior to project implementation.

Describe Annual Pre-Project Cost:

State government costs in all likelihood will not be reduced but the cost for providers and insurance companies will definitely be reduced once implemented.

Quantify Annual Pre-Project Cost:

	State Total
FTE Cost (salary plus benefits):	\$0.00
Support Cost (i.e. office supplies, telephone, pagers, travel, etc.):	\$0.00
Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.):	\$0.00
Total Annual Pre-Project Cost:	\$0.00

2. Annual Post-Project Cost - This section should be completed only if state government operations costs are expected to be reduced as a result of project implementation. **Quantify actual state government direct and indirect costs** (personnel, support, equipment, etc.) associated with the activity, system or process after project implementation.

Describe Annual Post-Project Cost:

State government costs in all likelihood will not be reduced but the cost of providers and insurance companies will definitely be reduced once implemented.

Quantify Annual Post-Project Cost:

	State Total
FTE Cost (salary plus benefits):	\$0.00
Support Cost (i.e. office supplies, telephone, pagers, travel, etc.):	\$0.00
Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.):	\$0.00
Total Annual Post-Project Cost:	\$0.00

3. Citizen Benefit - Quantify the estimated annual value of the project to Iowa citizens. This includes the "hard cost" value of avoiding expenses ("hidden taxes") related to conducting business with State government. These expenses may be of a personal or business nature. They could be related to transportation, the time expended on or waiting for the manual processing of governmental paperwork such as licenses or applications, taking time off work, mailing, or other similar expenses. As a "rule of thumb," use a value of \$10 per hour for citizen time.

Describe savings justification:

<u>Transaction Savings</u>	
Number of annual online transactions:	0
Hours saved/transaction:	0
Number of Citizens affected:	0
Value of Citizen Hour	0
Total Transaction Savings:	\$0
Other Savings (Describe)	\$0
Total Savings:	\$0

4. Opportunity Value/Risk or Loss avoidance - Quantify the estimated annual non-operations benefit to State government. This could include such items as qualifying for additional matching funds, avoiding the loss of matching funds, avoiding program penalties/sanctions or interest charges, avoiding risks to health/security/safety, avoiding the consequences of not complying with State or Federal laws, providing enhanced services, avoiding the consequences of not complying with enterprise technology standards, etc.

Response:

Potential Sanctions / fines are a minimum of 6,650,000,000. This would be the fine to DHS as a covered entity applicable to Medicaid alone. We do not have an estimate of the rest of DHS Health Care Components. Section 1176 of the Act establishes civil monetary penalties for violation of the provisions in part C of title XI of the Act, subject to several limitations. Penalties may not be more than \$100 per person per violation of a provision and not more than \$25,000 per person per violation of an identical requirement or prohibition for a calendar year. With certain exceptions, the procedural provisions in section 1128A of the Act, "Civil Monetary Penalties," are applicable to imposition of these penalties. Section 1177 of the Act established penalties for any person that knowingly misuses a unique health identifier, or obtains or discloses individually identifiable health information in violation of this part. The penalties include: (1) A fine of not more than \$50,000 and/or imprisonment of not more than 1 year; (2) if the offense is "under false pretenses" a fine of not more than \$100,000 and /or imprisonment of not more the 5 years; and (3) if the offense is with intent to sell, transfer, or use individually identifiable health information for commercial advantage, personal gain, or malicious harm, a fine of not more than \$250,000 and/or imprisonment of not more than 10 years. We note that these penalties do not affect any other penalties that may be imposed by other federal programs.

5. Benefits Not Readily Quantifiable - List and summarize the overall non-quantifiable benefits (i.e., IT innovation, unique system application, utilization of new technology, hidden taxes, improving the quality of life, reducing the government hassle factor, meeting a strategic goal, etc.).

Response:

With the implementation of HIPAA insurance companies, providers and payors will have standardized coding of health care transactions simplifying conducting business with partners so communication is in one standard format for all levels of local, state and federal government and their business partners. The impact creates a single uniform means of using electronic transactions so new proprietary means are not required each time a new business partner is taken on. Additionally implementation insures every citizen protection from misues of personal health information.

ROI Financial Worksheet	
A. Total Annual Pre-Project cost (State Share from Section II C1):	\$0
B. Total Annual Post-Project cost (State Share from Section II C2):	\$0
State Government Benefit (= A-B):	\$0
Annual Benefit Summary:	\$0
State Government Benefit:	\$0
Citizen Benefit:	\$0
Opportunity Value or Risk/Loss Avoidance Benefit:	\$6,650,000,000
C. Total Annual Project Benefit:	\$6,650,000,000
D. Annual Prorated Cost (From Budget Table):	\$302,271
Benefit / Cost Ratio: (C/D) =	22,000.14
Return On Investment (ROI): ((C-D) / Requested Project Funds) * 100 =	886,626.36%

[This section to be scored by application evaluator.]

Evaluation (25 Points Maximum)

- The financial analysis contains several questionable entries and provides minimal financial benefit to citizens (0-8 points).
- The financial analysis seems reasonable with few questionable entries and provides a moderate financial benefit to citizens (9-16 points).
- The financial analysis seems reasonable with no problem areas and provides maximum financial benefit to citizens (17-25).

Note: For projects where no State Government Benefit, Citizen Benefit, or Opportunity Value or Risk/Loss Avoidance Benefit is created due to the nature of the project, the Benefit/Cost Ratio and Return on Investment values are set to Zero.

Appendix A. Auditable Outcome Measures

For each of the following categories, list the auditable metrics for success after implementation and identify how they will be measured.

1. Improved customer service

With the implementation of HIPAA insurance companies, providers and payors will have standardized coding of health care transactions simplifying conducting business with partners so communication is in one standard format for all levels of local, state and federal government and their business partners. The impact creates a single uniform means of using electronic transactions so new proprietary means are not required each time a new business partner is taken on.

Additionally implementation insures every citizen protection from misues of personal health information.

Success in this effort will be verified by subsequent practices being monitored by Privacy and Security officers.

2. Citizen impact

Federal audits to verify implementation and practices and outside certification.

3. Cost Savings

We do not have data to quantify.

4. Project reengineering

Primarily remediation of existing systems and interfaces.

5. Source of funds (Budget %)

No Response Required.

6. Tangible/Intangible benefits

[Return](#)